# Financial Transactions and Reports Analysis Centre of Canada

## For the Period ending March 31, 2010

**Departmental Performance Report**

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The Honourable James M. Flaherty
Minister of Finance

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## Director's Message

I am pleased to present the Departmental Performance Report for the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC) for 2009-10.

The last year has been one of impressive achievement for FINTRAC. In 2009-10, FINTRAC made a record 579 case disclosures to law enforcement, national security agencies, and other domestic authorized recipients, and to foreign financial intelligence units. This was achieved with increasingly positive feedback as to the timeliness, relevance and usefulness of the case disclosures.

We are now able to produce more financial intelligence, more quickly than any time in our past. Demand for our financial intelligence is growing, as following the money trail has become an important part of investigative work. During the year, we made further improvements to our analytical processes and realigned internal processes and operating structure to better understand and respond to the needs of investigative and intelligence partners.

There was also increasing demand for FINTRAC's strategic intelligence and as we have matured and gained experience, we have been able to expand our capability to do strategic analysis. By explaining trends in money laundering, looking at the big picture, we can inform our reporting entities so that they are positioned to provide the best front line detection and deterrence. One example is a recent report we did for the casinos, entitled *Money Laundering Typologies and Trends in the Canadian Casino Sector*.

We also continued to work with reporting entities, to ensure that effective measures are adopted in a variety of business sectors to combat money laundering and terrorist activity financing. By improving compliance with the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, we will strengthen Canada's defences against those that would abuse its financial system.

As FINTRAC enters its tenth year of existence, we expect to assist in even more investigations. We will continue to align ourselves with our partners to produce financial intelligence that addresses their needs and priorities. The true measure of our success is and always will be our ability to add to the effectiveness of those who are investigating serious crimes.

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Jeanne M. Flemming
Director

# SECTION I: DEPARTMENTAL OVERVIEW

## Raison d'être

The Financial Transactions and Reports Analysis Centre of Canada (FINTRAC), Canada's financial intelligence unit, exists to detect and deter money laundering and terrorist financing. The end result is a unique contribution to the public safety of Canadians and to the protection of the integrity of Canada's financial system. FINTRAC is an independent agency that was created in 2000. It reports to the Minister of Finance, who is in turn accountable to Parliament for the activities of the Centre. FINTRAC was established and operates within the ambit of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (PCMLTFA) and its Regulations.

FINTRAC is one of several domestic partners in Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime. Canada's Anti-Money Laundering and Anti-Terrorist Financing Regime is a horizontal initiative comprised of both funded and non-funded partners. The funded partners include the Department of Finance Canada as policy lead, the Department of Justice Canada, the Public Prosecution Service of Canada, FINTRAC, the Canada Border Services Agency (CBSA), the Canada Revenue Agency (CRA), the Canadian Security Intelligence Service (CSIS) and the Royal Canadian Mounted Police (RCMP); non-funded partners include Public Safety Canada, the Office of the Superintendent of Financial Institutions (OSFI) and the Department of Foreign Affairs. FINTRAC is also part of the Egmont Group, an international network of financial intelligence units that collaborate to combat money laundering and terrorist activity financing. FINTRAC's director is currently the Chair of Egmont's Training Working Group (TWG).

### FINTRAC's Mission

To contribute to the public safety of Canadians and help protect the integrity of Canada's financial system through the detection and deterrence of money laundering and terrorist financing.

### FINTRAC's Vision

To be recognized as a world class financial intelligence unit in the global fight against money laundering and terrorist financing.

### Responsibilities

FINTRAC is Canada's financial intelligence unit and is a specialized agency which undertakes activities related to the collection of financial information and the production and dissemination of financial intelligence. In addition, the Centre undertakes activities to ensure compliance by reporting entities with their obligations under Part 1 of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act.*

FINTRAC's mandate is to facilitate the detection, prevention and deterrence of money laundering, terrorist activity financing and other threats to the security of Canada by engaging in the following activities:

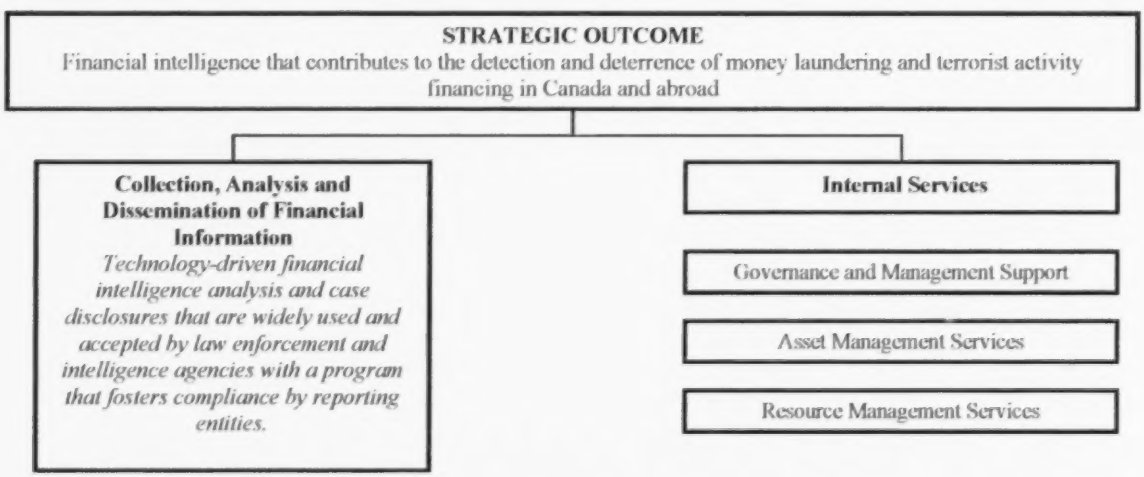
- **Gathering** and **analyzing information** on suspect financial activities;
- **Disclosing tactical financial intelligence** to the appropriate police service, CSIS, or other agencies designated by legislation in support of investigations and prosecutions;
- **Producing** and **disseminating strategic financial intelligence** to inform government policy and decision makers, as well as reporting entities about money laundering and terrorist financing trends, methods and issues;
- **Ensuring compliance** of reporting, record keeping and other obligations by those subject to the PCMLTFA; and
- **Enhancing public awareness** and understanding of matters related to money laundering.

These activities are conducted while ensuring the protection of the personal information under FINTRAC's control.

FINTRAC's headquarters is located in Ottawa, with three regional offices in Montreal, Toronto and Vancouver having specific mandates related to compliance with the PCMLTFA.

**Strategic Outcome(s) and Program Activity Architecture (PAA)**

FINTRAC's strategic outcome and program activity architecture for 2009-10 is illustrated in the chart below.


STRATEGIC OUTCOME
Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad
Collection, Analysis and Dissemination of Financial Information
Technology-driven financial intelligence analysis and case disclosures that are widely used and accepted by law enforcement and intelligence agencies with a program that fosters compliance by reporting entities.
Internal Services
Governance and Management Support
Asset Management Services
Resource Management Services

It should be noted that FINTRAC will be introducing an enhanced Program Activity Architecture (PAA) for 2010-11 that will enable the Centre to more accurately report on its activities and their benefits to Canadians. The new PAA has been developed to reflect the introduction of new activities resulting from amendments made to the PCMLTFA as well as the introduction of the Centre's Strategic Plan for 2009-2012. FINTRAC's new PAA along with a

crosswalk to the structure utilized in this document are available in FINTRAC's 2010-11 Report on Plans and Priorities.

In 2010-11, FINTRAC will also review and update its performance measurement framework to ensure that the Centre maintains a comprehensive suite of high quality, relevant and timely performance indicators. The enhanced framework of indicators will inform strategic and operational planning for the Centre across all business lines and will allow FINTRAC to better report on the results it has achieved in its public reporting, including future Departmental Performance Reports.

## Summary of Performance

### 2009–10 Financial Resources ($ Millions)

| Planned Spending | Total Authorities | Actual Spending |
|---|---|---|
| 50.2 | 53.7 | 49.9 |

### 2009–10 Human Resources (FTEs)

| Planned | Actual | Difference |
|---|---|---|
| 313 | 303 | (10) |

During the fiscal year, the Government committed an additional $8 million per year to FINTRAC beginning in 2010-11 to help the Centre combat money laundering and terrorist financing. These additional resources will to be used to enhance the Centre's ability to ensure compliance with the PCMLTFA as well as to help meet new responsibilities related to tax evasion becoming a predicate offence to money laundering under Canada's tax statutes.

| Strategic Outcome: Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad. | | |
|---|---|---|
| **Performance Indicators** | **Targets** | **2009–10 Performance** |
| Number of case disclosures and strategic products that assist and/or are used in investigations and other actions by law enforcement, intelligence agencies and prosecutors. | Stable or increasing number of case disclosures used in investigations and other actions. | In 2009-10, FINTRAC disclosed 579 cases of suspected money-laundering, terrorist financing and threats to the security of Canada to law enforcement and security partners. This is a slight increase compared to 556 cases disclosed in 2008-09 and a continued significant increase over the 210 cases disclosed in 2007-08. In 2009-10, the average timeliness of case analysis improved by 17% going from 82 days to 68 days. This was achieved with increasingly positive feedback from law enforcement and security partners on the usefulness, relevance and timeliness of case disclosures.<br><br>The Centre also continued to fulfill the needs of various partners and stakeholders in producing and disseminating a wide range of strategic financial intelligence assessments, briefs and reports. These products served to inform government policy and decision makers, as well as reporting entities about money laundering and terrorist financing issues, methods, indicators and case studies which enabled them to better combat money laundering and terrorist financing. |

| | | |
|---|---|---|
| Degree of involvement of reporting entities and other entities with obligations in the Anti-Money Laundering/ Anti-Terrorist Activity Financing (AML/ATF) Regime. | FINTRAC statistics on number of participants in FINTRAC's information sessions, number of visits on Web site, number of calls to Call Centre. | FINTRAC utilizes a tailored risk-based approach to compliance activities focusing on reporting entities and sectors where risks are greatest. In the initial years the Centre concentrated its resources on raising awareness among reporting entities of their obligations under the PCMLTFA. However in 2009-10, FINTRAC began to shift the emphasis away from promotion and outreach activities in favour of greater compliance enforcement interventions, while providing additional self-service tools on the FINTRAC website to provide guidance to reporting entities on common examination deficiencies and frequently asked policy interpretation inquiries.<br><br>During the fiscal year, FINTRAC conducted 141 outreach presentations reaching more than 3,400 participants providing feedback to targeted sectors and associations, particularly those recently brought into the Regime. The Centre also responded to over 5,000 calls from reporting entities and received more than 547,000 visits to its web site. |

**($ Millions)**

| Program Activity | 2008–09 Actual Spending | 2009–10[1] | | | | Alignment to Government of Canada Outcome |
|---|---|---|---|---|---|---|
| | | Main Estimates | Planned Spending | Total Authorities | Actual Spending | |
| Collection, Analysis, and Dissemination of Financial Information. | 43.0 | 29.5 | 42.7 | 45.6 | 42.4 | *Safe and Secure Communities*<br><br>The detection and deterrence of the laundering of criminal proceeds and the financing of terrorist activities is vital to the public safety of Canadians and the integrity of their financial system. |
| Internal Services | 7.6 | 18.4 | 7.5 | 8.1 | 7.5 | |
| **Total** | 50.6 | 47.9 | 50.2 | 53.7 | 49.9 | |

[1] Commencing in the 2009-10 Estimates cycle, the resources for Program Activity: Internal Service is displayed separately from other program activities; they are no longer distributed among the remaining program activities, as was the case in previous Main Estimates. This has affected the comparability of spending and FTE information by Program Activity between fiscal years.

## Contribution of Priorities to Strategic Outcome

The 2009-10 fiscal year represents the first planning period covered by FINTRAC's three-year Strategic Plan. The six strategic priorities identified below were the result of an extensive consultative process, involving input from all FINTRAC staff, key domestic partners and stakeholders and some important international financial intelligence units. FINTRAC's strategic priorities represent the Centre's "Change Agenda" and their achievement will be in addition to FINTRAC's ongoing business activities.

| Operational Priorities | Type | Status | Linkages to Strategic Outcome |
|---|---|---|---|
| Align our financial intelligence products more closely with our key partners' needs and identify emerging money laundering and terrorist financing trends. | New | **Met all:**<br>In 2009-10, FINTRAC established formal processes to align its tactical and strategic intelligence products with the priorities and needs of its key investigative partners (the RCMP and CSIS). Meetings were held at both the executive and operational levels to enhance relationships and establish mechanisms to periodically identify and prioritize intelligence requirements.<br><br>During the year, the Centre also continued to make improvements to its analytical processes and realigned internal processes and operating structure to better understand and respond to the identified needs of investigative and intelligence partners. These enhancements have allowed FINTRAC analysts to focus on the cases of highest importance. In addition, FINTRAC continued to improve its detection and selection of proactive cases where no known current investigations may be occurring.<br><br>To strengthen both the quality and quantity of the partner feedback FINTRAC receives, the Centre revised both the tools and processes used to collect feedback information. This work was undertaken in consultation with partners and should provide the Centre with more meaningful and consistant feedback on the relevance, usefulness and timeliness of FINTRAC's intelligence products. | This priority contributes to FINTRAC's strategic outcome *Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.* |

| | | | |
|---|---|---|---|
| | | FINTRAC also worked with its partners in the security and intelligence community in setting its priorities for developing strategic financial intelligence assessments, briefs and reports. As a result, financial intelligence produced and disseminated by the Centre served to inform government policy and decision makers amout money laundering and terrorist financing issues, methods and trends. | |
| Pursue policy and legislative opportunities to strengthen the AML/ATF Regime. | New | **Met all:**<br>To increase FINTRAC's ability to assist the Department of Finance in fulfilling its lead role in managing policy and legislative direction and thereby facilitate and improve the quality and quantity of reporting of financial information reported by FINTRAC, the Centre established a Policy, Legislative, and Regulatory Task Force. This group has been tasked with establishing a priority list of possible legislative and regulatory amendments. By taking a proactive approach to its policy and legislative work, FINTRAC will be better prepared to assist the Department of Finance in advancing appropriate policy and legislative changes to improve the Centre's operations and enhance the way it relates to both investigative partners and reporting entities. | This priority contributes to FINTRAC's strategic outcome *Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.* |
| Refine our risk based compliance program and fully implement the new legislative requirements. | New | **Met All:**<br>In 2009-10, as part of FINTRAC's compliance strategy, a number of program improvements were developed and implemented to better assess compliance among reporting entities and to maximize available resources. With this, greater emphasis was placed on enforcement interventions. This resulted in an increase in the number of examinations being completed, which in part was due to the introduction of desk examinations to complement the continued use of onsite examinations. The Centre completed 691examinations at fiscal year end, representing an increase of 52% over the previous year, of which 327 (47%) were onsite examinations and 364 (53%) were desk examinations. We are continuing to evolve our tailored risk based approach to address those areas of highest risk for non-compliance. | This priority contributes to FINTRAC's strategic outcome *Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.* |

| | | | |
|---|---|---|---|
| | | In addition, FINTRAC successfully implemented an administrative monetary penalties (AMP) program. In its first year of operation, the Centre issued 7 AMPs to reporting entities, all of which have been publicly named on the FINTRAC website. 2009-10 was also the first full year of operation for the money services businesses (MSB) registry. During the fiscal year, an additional 223 MSBs registered with FINTRAC bringing the total entities registered to 954. | |
| Be innovative in our approach to operational processes to maximize our efficiency and effectiveness. | New | **Met All:**<br>The Centre has been successful in developing a range of new analytical tools to improve its data mining and geospatial analytical capacities in order to effectively maximize the use of agency data holdings. The continued emphasis placed on the alignment of IT services to enhance key business processes has led to greater advancements in FINTRAC's procedures, processes and systems. This has allowed FINTRAC to significantly improve the timeliness of its financial disclosures while maintaining a high level of quality and value of the information provided. | This priority contributes to FINTRAC's strategic outcome *Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.* |
| Enhance Collaboration within the organization and with our partners and stakeholders. | New | **Met All:**<br>To enhance collaboration among the Centre's business units, FINTRAC implemented a more focused and robust governance structure consisting of a number of Centre-wide committees to support the Director and Executive Committee. This structure provides multiple opportunities for consultation and decision-making on issues and initiatives relating to Centre-wide operations, and policy and planning and establishes clear lines of accountability for horizontal issues.<br><br>In addition, the Centre also implemented an Intelligence Committee in 2009-10 to enhance the Centre's intelligence capabilities and coordination. Chaired by the Director, with executive representation from across the Centre, the Intelligence Committee serves as the Centre's forum for decision-making on all issues and initiatives related to strategic and tactical intelligence with a mandate that includes, aligning FINTRAC's intelligence products where beneficial with the needs of key partners and law enforcement agencies. | This priority contributes to FINTRAC's strategic outcome *Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.* |

| | | | |
|---|---|---|---|
| | | FINRAC also continues to foster and strengthen its bilateral and multilateral relationships with international partners through the delivery of technical assistance, such as the International Compliance Program, activities with international organizations, such as FATF and the Egmont Group, and the signing of new MOUs with counterpart financial intelligence units. In 2009-10, a total of 8 new MOUs were signed to facilitate the exchange of tactical information. FINTRAC now has 62 MOUs with international partners for the purpose of information sharing. The Centre also put in place an MOU with AUSTRAC to share compliance information regarding the legislative obligations that exist for numerous individuals and entities in both countries. This MOU was the first of its kind for FINTRAC.<br>To further strengthen relationships with private sector partners in the AML/ATF Regime, FINTRAC sucessfully held a workshop with reporting entities in order to provide those on the front lines with feedback on how the information they provide to FINTRAC is utilized in the fight against money laundering and terrorist financing. | |

| **Management Priority** | **Type** | **Status** | **Linkages to Strategic Outcome(s)** |
|---|---|---|---|
| Promote excellence in our workforce and strengthen our management and human resources framework. | New | **Met All:**<br>FINTRAC strives to be an "employer of choice" with a diverse and dynamic workforce. During the 2009-10 fiscal year, FINTRAC undertook a number of initiatives to strengthen recruitment, assess current workforce engagement, and to facilitate employee development. A series of employee surveys and focus groups were conducted to identify and address employee concerns. FINTRAC implemented an Individual Learning Plan program to maintain and update employee expertise. The Centre also continues to emphasize the importance of protecting the personal information under its control by continuously updating the training of its employees on privacy protection. In 2009-10, FINTRAC was proud to introduce its | This priority contributes to FINTRAC's strategic outcome *Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.* |

| | | | |
|---|---|---|---|
| | | Awards and Recognition program to recognize and acknowledge the valuable contributions to FINTRAC by its individual employees and teams. | |

## Risk Analysis

As Canada's financial intelligence unit and a partner in Canada's Anti-Money Laundering/Anti-Terrorist Financing Regime, FINTRAC is a unique organization that continues to face a number of challenges and risks. Recognizing the importance of risk management, the Centre has updated its Corporate Risk Profile in 2009-10 and will be integrating it into its planning cycle in 2010-11.

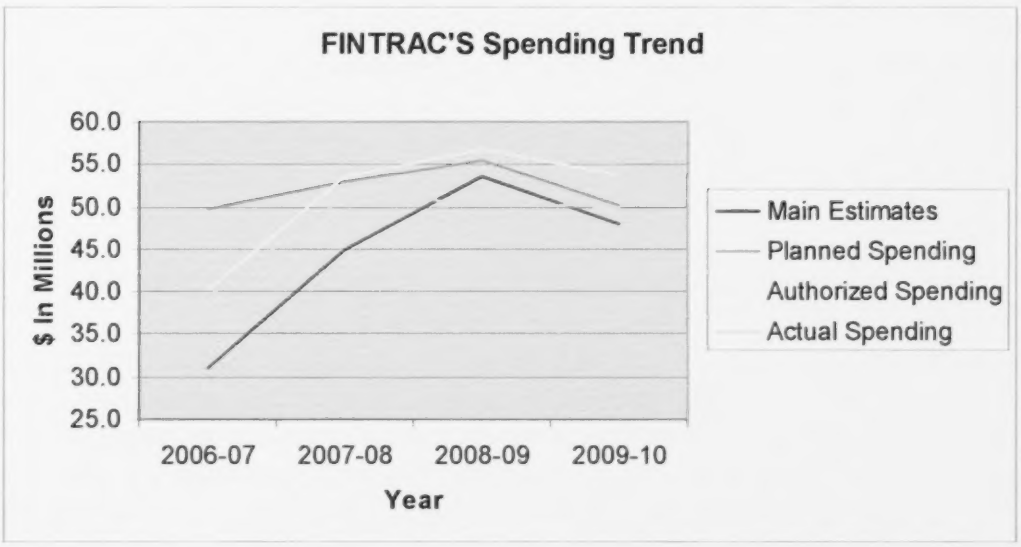
During the planning period, FINTRAC's operating environment was shaped by a number of important considerations. The Centre underwent significant changes with the development and implementation of a new strategic plan for 2009-12 and the coming into force of requirements brought about by the 2006 amendments to the PCMLTFA. In 2009-10, FINTRAC began the process of refining and improving its operations based on these changes. Additionally, the Centre continued to plan for the future to ensure that the organization is well positioned to enhance its contribution to the AML/ATF Regime by anticipating and responding to new opportunities and threats.

FINTRAC was faced with an increased demand for tactical products from disclosure recipients coupled with an increased demand for strategic products from partners, reporting entities and other stakeholders. To address this challenge, the Centre made a number of specific improvements to its analytical processes and realigned internal processes and operating structures to better understand and respond to the identified needs of investigative and intelligence partners.

As identified in FINTRAC's Corporate Risk Profile, it is of continuing importance that FINTRAC keep pace with the adaptations that criminals make to conceal proceeds of crime and with the clandestine efforts of those engaged in terrorist activity financing. On a continuing basis, those that would launder money or finance terrorism are developing new methods and finding new venues for their activities and FINTRAC continues to work with its domestic and international partners to identify emerging trends. To meet this challenge, the Centre conducted an extensive review of cases and reports associated with countries of concern and/or terrorist groups of interest to the Canadian security and intelligence (S&I) community, publishing the results in a number of classified financial intelligence assessments and briefs.

In addition to the above noted risks, FINTRAC, like many other organizations, continues to have the challenge of changing workforce demographics and the risk of being unable to attract and retain a sufficient and representative workforce with the appropriate competencies to adequately support, deliver and manage programs and services. During the 2009-10 fiscal year, FINTRAC undertook a number of recruitment initiatives to increase its presence in the labour market, assess current workforce engagement, and to facilitate employee development.

## Expenditure Profile




FINTRAC received funding for the new initiatives called for by the December 2006 amendments to the PCMLTFA; however, as the coming into force dates of these initiatives gradually occurred over the following three fiscal years, important reprofiling of funds was prompted, which explains the apparent peak in resourcing for the years 2007-08 and 2008-09.

In 2006-2007, the total resources available for FINTRAC were $40.3M. This funding allowed FINTRAC to respond to existing program pressures (Business Continuity Plan (BCP) – disaster recovery site, asset replacement plan and workload pressures) related to the National Initiative to Combat Money Laundering (NICML, now AML/ATF Regime). Actual spending was $39.4M in 2006-07.

In 2007-08, funding increased to $53.5M (including an amount of $5.082M reprofiled from 2006-07): additional resources were allocated towards the contribution for the establishment of the Egmont Group secretariat in Toronto, for FINTRAC's participation in the National Anti-Drug Strategy and for the implementation of the new initiatives. Actual spending for 2007-08 was $51.1M.

The resources available for spending in 2008-09 were $56.8M, including an amount of $5.1M reprofiled from 2007-08 for new initiatives. Actual Spending for 2008-09 was $50.6M, with a total of $1.85M being reprofiled into fiscal year 2009-10.

The resources available for spending in 2009-10 were $53.7M, including the reprofiled resources from 2008-09 for new initiatives ($1.250M) and for the contribution for the establishment of the Egmont Group secretariat in Toronto ($0.6M). Actual Spending for 2009-10 was $49.9M, with a total of $1.25M being reprofiled into fiscal year 2010-11.

## Voted and Statutory Items

($ Millions)

| Vote # or Statutory Item (S) | Truncated Vote or Statutory Wording | 2007–08 Actual Spending | 2008–09 Actual Spending | 2009–10 Main Estimates | 2009–10 Actual Spending |
|---|---|---|---|---|---|
| 25 | Operating expenditures | 45.7 | 44.9 | 42.5 | 44.0 |
| 5 | Grants and contributions | 1.3 | 1.2 | 1.2 | 1.4 |
| (S) | Contributions to employee benefit plans | 4.1 | 4.5 | 4.2 | 4.5 |
| | **Total** | 51.1 | 50.6 | 47.9 | 49.9 |

# SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

## Strategic Outcome

Financial intelligence that contributes to the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad.

## Program Activity by Strategic Outcome

| Program Activity: Collection, Analysis, and Dissemination of Financial Information. | | | | | |
|---|---|---|---|---|---|
| 2009–10 Financial Resources ($ Millions) | | | 2009–10 Human Resources (FTEs) | | |
| Planned Spending | Total Authorities | Actual Spending | Planned | Actual | Difference |
| 42.7 | 45.6 | 42.4 | 266 | 258 | (8) |

| Expected Results | Performance Indicators | Performance Status | Performance Summary |
|---|---|---|---|
| Law enforcement, intelligence agencies and prosecutors received timely and relevant tactical and strategic financial intelligence useful for further actions in investigations and other actions. | Satisfaction expressed by law enforcement and partners with the usefulness of case disclosures and strategic information products. | **Met All** | In 2009-10, FINTRAC disclosed a record 579 cases of suspected money-laundering, terrorist financing and threats to the security of Canada to law enforcement and security partners. This was achieved with increasingly positive feedback from law enforcement and security partners on the usefulness, relevance and timeliness of case disclosures.<br><br>Annually, FINTRAC has been seeing a gradual and steady increase in the positive feedback received from its law enforcement and security partners. This feedback confirms that FINTRAC has been responding effectively to partners' needs, with particular regard to disclosure timeliness and formatting. |
| Reporting entities are in compliance with the PCMLTFA and related regulations. | Level of compliance by reporting entities with PCMLTFA and related regulations. | **Met All** | As part of FINTRAC's strategy to place a greater emphasis on compliance enforcement interventions and provide more targeted and focused outreach activities, the Centre increased the coverage rate of its compliance assessments by |

| | | | |
|---|---|---|---|
| | | | introducing desk assessments in tandem with onsite examinations of reporting entities' level of compliance with FINTRAC obligations. As a result, the Centre completed 691 examinations at fiscal year end that marked an increase by 52% over the previous year, of which 327 (47%) were onsite examinations and 364 (53%) were desk examinations.<br><br>Outreach activities with reporting entities continued with a particular focus on providing guidance to targeted sectors and promoting additional self-service tools on the FINTRAC website. During the fiscal year, FINTRAC conducted 141 outreach presentations reaching more than 3,400 participants providing feedback to targeted sectors and associations, particularly those recently brought into the Regime. The Centre also responded to over 5,000 calls from reporting entities and received more than 547,000 visits to its website. |

## Performance Analysis - Collection, Analysis, and Dissemination of Financial Information

Within FINTRAC's program activity – *Collection, Analysis, and Dissemination of Financial Information*, the Centre undertakes activities related to the collection of financial information and the production and dissemination of strategic financial intelligence and case disclosures as well as activities to ensure compliance by reporting entities with their obligations under Part 1 of the PCMLTFA. These activities are complemented by research and government relationships activities, both domestic and international.

***Law enforcement, intelligence agencies and prosecutors received timely and relevant tactical and strategic financial intelligence useful for further actions in investigations and other actions.***

In 2009-10, FINTRAC increased its production of case disclosures of financial information. During the period, the Centre made 579 case disclosures, of which 470 were associated with money laundering, 73 with terrorist financing and other threats to the security of Canada, and 36 with associations to both money laundering and terrorist financing. The number of case

disclosures is a slight increase compared to 556 cases disclosed in 2008-09 and a continued significant increase over the 210 cases disclosed in 2007-08.

The value of FINTRAC's disclosures in the fight against money laundering and terrorist activity financing is widely recognized. For example, during the fiscal year, the number of voluntary information records (VIRs) FINTRAC received from law enforcement and intelligence partners have increased by over 35%. VIRs are used by the Centre's investigative partners to signal priority investigations where financial intelligence could make an important contribution. In 2009-10 FINTRAC received 855 VIRs, and based upon the increasing acceptance and use of FINTRAC's intelligence, it is expected that the number of VIRs received will continue to rise in the future.

Feedback from law enforcement and intelligence agencies regarding the effectiveness and usability of FINTRAC's disclosure product have consistently shown that reducing the time it takes to receive a FINTRAC disclosure following a VIR is a primary concern of the Centre's investigative partners. The importance of timely intelligence dissemination, particularly with FINTRAC's partners in the law enforcement and intelligence communities is paramount. In matters of national security, it can relate directly to preserving public safety while in other instances, timeliness can ensure the integrity of a successful investigation.

During the year, the Centre continued to make improvements to its analytical processes and realigned internal processes and operating structure to better understand and respond to the needs of investigative and intelligence partners. These enhancements have allowed FINTRAC analysts to focus on the cases of highest importance as well as improve the timeliness of case disclosures. In 2009-10, the average time to complete the analysis of a case improved by 17% decreasing from 82 days to 68 days. In addition, FINTRAC continued to improve its detection and selection of proactive cases where no known current investigations may be occurring.

FINTRAC achieved these results while receiving increasingly positive feedback from law enforcement and security partners on the usefulness, relevance and timeliness of case disclosures. Based on the feedback solicited from partners from the first quarter of the 2008-2009 fiscal year to present, the Centre has noted the following trends:

- Significant numbers of FINTRAC's financial disclosures continue to provide a major contribution to investigations;
- The percentage of disclosures that triggered a new investigation has doubled;
- Disclosures providing leads related to unknown persons / entities have increased;
- Disclosures providing grounds for warrant / production order have tripled; and
- Disclosures providing limited to no value have decreased.

The Centre also continued to fulfill the needs of various partners and stakeholders in producing and disseminating a wide range of strategic financial intelligence assessments, briefs and reports. These products served to inform government policy and decision makers, as well as reporting entities about money laundering and terrorist financing issues, methods, indicators and case studies which enabled them to better combat money laundering and terrorist financing.

A key achievement in 2009-10, was the publication of FINTRAC's study on money laundering trends and typologies in Canadian Casinos. This work built on the positive feedback the Centre received from the banking reporting sector and other stakeholders in relation to the publication of *Money Laundering and Terrorist Financing Typologies and Trends in Canadian banking* in 2008-09. A similar report for the money services businesses (MSB) sector is currently being drafted and should be published in 2010-11.

***Reporting entities are in compliance with the PCMLTFA and related regulations.***

Deterring money laundering and terrorist financing by working with reporting entities and other key stakeholders helps to ensure the integrity of the financial system and contributes to the public safety of Canadians. FINTRAC's target is to achieve a high level of reporting entity compliance with PCMLTFA obligations.

In 2009-10, FINTRAC embarked on a new strategy for its compliance activities by placing increased emphasis on compliance enforcement interventions and providing more targeted and focused outreach activities. In addition, FINTRAC increased the coverage rate of its compliance assessments by introducing desk assessments in tandem with onsite examinations of reporting entities' level of compliance with FINTRAC obligations. As a result, the Centre completed 691 examinations at fiscal year end that marked an increase by 52% over the previous year, of which 327 (47%) were onsite examinations and 364 (53%) were desk examinations.

Outreach activities with reporting entities continued with a particular focus on providing guidance to targeted sectors and promoting additional self-service tools on the FINTRAC website. During the fiscal year, FINTRAC conducted 141 outreach presentations reaching more than 3,400 participants providing feedback to targeted sectors and associations, particularly those recently brought into the Regime. The Centre also responded to over 5,000 calls from reporting entities and received more than 547,000 visits to its website.

In addition, FINTRAC organized its first workshop for representatives from reporting entities in the financial services sectors, attracting 140 participants representing the banking, credit union/caisse populaire, securities, life insurance, and MSB sectors, along with law enforcement and government representatives. The primary aim of the workshop was to demonstrate FINTRAC's role as part of a larger continuum of anti-money laundering/anti-terrorist financing efforts that begins with reporting entities, and includes FINTRAC, law enforcement and prosecutors. Working together, panelists from FINTRAC, the RCMP and the Ministry of the Attorney General of Ontario led an end-to-end analysis of a high-profile money laundering case. Other highlights of the one and a half day workshop included a reporting entity panel, where representatives of the different sectors discussed challenges and best practices, and break-out sessions on particular topics of interest, including the vulnerabilities to money laundering of digital precious metals.

In 2009-10, FINTRAC completed the successful implementation of the Administrative Monetary Penalties (AMP) regime. FINTRAC is now authorized to impose administrative penalties where reporting entities are found to be non-compliant with the requirements of the PCMLTFA. This additional tool represents a measured response to particular instances of non-compliance and is designed to encourage these reporting entities to correct their behavior. In its first year, 7 AMPs have been issued, and all of these were publicly named on the FINTRAC website.

2009-10 was also the first full year of operation for the money services businesses (MSB) registry. The MSB registry was launched on June 23, 2008, allowing the general public to search for publicly available information about registered MSBs. In this fiscal year, an additional 223 MSBs registered with FINTRAC bringing the total entities registered to 954.

## Lessons Learned

***Safeguarding personal Information***

Financial intelligence units (FIUs) have access to sensitive financial information and are subject to legislation that protects its confidentiality. The PCMLTFA includes numerous safeguards to ensure that FINTRAC protects the personal and other sensitive information under its control, including the requirement that the Office of the Privacy Commissioner of Canada (OPC) undertake a bi-annual review of the measures that FINTRAC has taken to protect the information it receives or collects.

In November of 2009, the OPC tabled its first report on FINTRAC's measures to protect the information under its control. The report recognized the Centre's good work in protecting its information holdings as well as the Centre's strong physical and IT security infrastructures. It also made a number of recommendations to further strengthen FINTRAC's privacy protection measures. FINTRAC welcomes these recommendations and has undertaken a number of initiatives to better align its processes and systems with the proposals put forth by the Privacy Commissioner.

In addition, FINTRAC has taken steps to strengthen its privacy management structure, and a member of its Executive Committee has been appointed Chief Privacy Officer. The Chief Privacy Officer's role is to provide strategic privacy leadership, and to coordinate and oversee privacy related activities for the Centre.

***Performance Measurement***

FINTRAC has a strong performance measurement regime for tracking and reporting on the Centre's outputs and activities. In the 2009-10 Management Accountability Framework (MAF) assessment, FINTRAC was assessed by the Treasury Board Secretariat (TBS) in 11 of 19 areas of management and received generally positive results. TBS acknowledged FINTRAC's overall consistent ratings since the last assessment in 2006-2007, and recognized FINTRAC for maintaining a strong rating in the area of Information Management and Technology. However, the Centre's performance measurement framework was identified as an "opportunity for improvement" and TBS made a number of suggestions to assist FINTRAC in the development of a more robust performance framework, including performance measures related to the Centre's outcomes.

To address this performance measurement challenge, the Centre is currently engaging in a review of its expected results, outcomes and performance measurement framework, with a plan to move towards implementation of a set of key core performance indicators within this framework beginning in the 2010-11 fiscal year. An important component of the Centre's efforts will be a results mapping exercise, using a logic model approach, which will be identifying additional proposed outputs and expected results at a greater level of detail than previously possible. The Centre will also be working more closely with investigative partners to establish

more systemic feedback mechanisms to populate the key indicators around FINTRAC's outcomes. These efforts should permit FINTRAC to fully satisfy its internal and external planning, reporting and accountability obligations for all future planning periods.

| Program Activity: Internal Services | | | | | |
|---|---|---|---|---|---|
| 2009–10 Financial Resources ($ Millions) | | | 2009–10 Human Resources (FTEs) | | |
| Planned Spending | Total Authorities | Actual Spending | Planned | Actual | Difference |
| 7.5 | 8.1 | 7.5 | 47 | 45 | (2) |

## Performance Analysis – Internal Services

Promoting excellence in FINTRAC's workforce and strengthening the management and human resource framework is a priority of the Centre. During 2009-10, FINTRAC had a number of key achievements within the program activity of internal services.

***Human Resources***

FINTRAC attaches great importance to providing a healthy, stimulating work environment. During the 2009-10 fiscal year, the Centre invested in a number of recruitment initiatives to increase its presence in the labour market, assess current workforce engagement, and to facilitate employee development. A series of employee surveys and focus groups were conducted to identify and address employee concerns. FINTRAC implemented an Individual Learning Plan program to maintain and update employee expertise. The Centre also was proud to introduce its Awards and Recognition program to recognize and acknowledge the valuable contributions to FINTRAC by its individual employees and teams.

***Security Awareness***

In support of FINTRAC's security policy and its mandate to ensure the continued protection of personal information, an enterprise wide Security Awareness program was launched to train all FINTRAC employees on their responsibilities in protecting the personal and other sensitive information entrusted to the Centre. Security Awareness sessions were delivered to all employees in multiple small forums and was available in both official languages.

***Establish, Review and Update Policies***

FINTRAC Corporate policies were reviewed and updated in order to align with Treasury Board and other central agencies policies. Policy development included the establishment of a policy on Mobile Communications Devices and an update to the Procurement Policy. A review and update to the Security Policy is underway and FINTRAC is implementing an Asset Management Framework and a Costing Framework.

***IM\IT Governance***

Integrated with FINTRAC's annual strategic planning process, and supported by the Centre's investment strategy, the IM/IT strategic plan and a 15-month IM/IT plan were established to ensure that FINTRAC develops architecturally sound, cost-effective and quality solutions that meet the priorities established and agreed to by all senior executives. Monthly reviews of project status dashboards at the executive level ensured that FINTRAC met its IM/IT development project commitments by addressing risk factors and resource issues in a proactive manner.

***Internal Controls***

In 2009-10, FINTRAC established a Contract Review Committee to ensure sound risk management is applied to potential FINTRAC contracts in order to protect the interests of FINTRAC and of the Government of Canada.

Further to the 2008-09 review by an external consultant on FINTRAC's financial controls, 2009-10 also saw the implementation of recommendations to strengthen internal controls.

## Benefits for Canadians

FINTRAC is an essential component of the community of organizations that combat organized crime and terrorism under Canada's Anti-Money Laundering and Anti-Terrorist Financing (AML/ATF) Regime. The Centre's role is to facilitate the detection and deterrence of money laundering and terrorist activity financing in Canada and abroad by analyzing reported transactions and other information, and making case disclosures of financial intelligence to the appropriate law enforcement agency, security and intelligence agency, or foreign financial intelligence unit, when there are reasonable grounds for suspicion of relevance to the investigation or prosecution of money laundering or terrorist activity financing offences.

By ensuring the compliance of financial institutions and other reporting entities with their obligations under the PCMLTFA, the Centre helps to create a formidable deterrent to those who would use legitimate financial channels to launder money or to finance terrorism. In Canada, banks and other financial services businesses maintain internal compliance regimes that ensure that the trail of financial transactions can be followed, and that law enforcement agencies can effectively pursue cases of suspected money laundering and terrorist activity financing, thereby strengthening Canada's capacity to detect and deter money laundering and terrorist financing.

Money laundering and terrorist activity financing are transnational in nature, necessitating the participation of all countries for their successful detection and deterrence. FINTRAC's work with international bodies such as the Financial Action Task Force and the Egmont Group contributes to the development of international AML/ATF policies and standards, and the promotion of operational cooperation among financial intelligence units. The operational links the Centre has forged with other FIUs throughout the world are a vital part of FINTRAC's contribution to the domestic and international fight against terrorism, money laundering and organized crime.

# SECTION III: SUPPLEMENTARY INFORMATION

## Financial Highlights

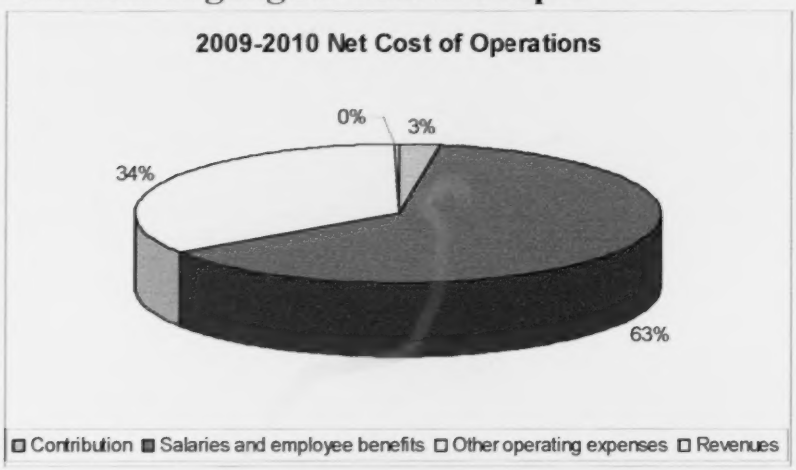
**($ Thousands)**

| **Condensed Statement of Financial Position**<br>At end of Fiscal Year (March 31, 2010) | **% Change** | **2009–10** | **2008–09** |
|---|---|---|---|
| **ASSETS** | | | |
| Accounts Receivables and Advances | 80.8% | 311 | 172 |
| Prepaid Expenses | -38.0% | 546 | 881 |
| Tangible Capital Assets | -6.2% | 16,923 | 18,038 |
| **Total Assets** | -6.9% | 17,780 | 19,091 |
| **TOTAL** | -6.9% | 17,780 | 19,091 |
| **LIABILITIES** | | | |
| Accounts Payables and accrued liabilities | -32.1% | 3,999 | 5,886 |
| Vacation pay and compensatory leave | -2.4% | 995 | 1,019 |
| Employee severance benefits | 13.2% | 6,268 | 5,539 |
| **Total Liabilities** | -9.5% | 11,262 | 12,444 |
| EQUITY | -1.9% | 6,518 | 6,647 |
| **Total Equity** | -1.9% | 6,518 | 6,647 |
| **TOTAL** | -6.9% | 17,780 | 19,091 |

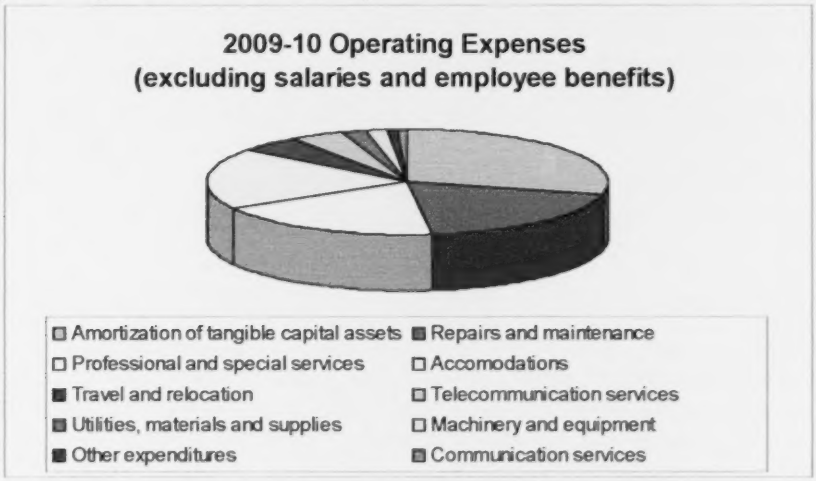
**($ Thousands)**

| **Condensed Statement of Financial Operations**<br>At end of Fiscal Year (March 31, 2010) | **% Change** | **2009-10** | **2008–09** |
|---|---|---|---|
| **EXPENSES** | | | |
| Contribution | 16.7% | 1,400 | 1,200 |
| Operating Expenses | 0.2% | 52,919 | 52,839 |
| **Total Expenses** | 0.5% | 54,319 | 54,039 |
| **REVENUES** | | | |
| Revenues not available for spending | - | 178 | - |
| **Total Revenues** | - | 178 | - |
| **NET COST OF OPERATIONS** | 0.2% | 54,141 | 54,039 |

## Financial Highlights Charts/Graphs




The net cost of operations for fiscal year 2009-10 was $54.1M, an increase of 0.2% over the previous year's net cost of operation of $54M. Salaries and employee benefits, in the amount of $34.3M, represent the largest portion with 63% of the total cost. Other operating expenses, in the amount of $18.6M detailed in the chart below, represent 34% of the total cost. The Contribution for the establishment of the Egmont Group Secretariat totalling $1.4M in 2009-10, represents 3% of the net cost of operations. Finally, Revenues not available for spending in the amount of $177,930 represents a minimal percentage of total net cost of operations.




Operating expenses, excluding salaries and employee benefits, totalled $18.6M in fiscal year 2009-2010. The largest share of expenses were the amortization of tangible capital assets ($5.3M), professional and special services ($3.5M), accommodations ($3.4M), repair and maintenance ($3.1M). Other significant costs were travel and relocation, telecommunication services, utilities, material and supplies, machinery and equipment, communication services and other expenditures.

## Financial Statements

*http://www.fintrac-canafe.gc.ca/publications/reports-rapports-eng.asp#4*

## List of Supplementary Information Tables

The following supplementary information tables to the 2009-10 Departmental Performance Report can be found on the Treasury Board of Canada Secretariat's website at: http://www.tbs-sct.gc.ca/dpr-rmr/2009-2010/index-eng.asp.

- Sources of Respendable and Non-Respendable Revenue
- Horizontal Initiatives
- Response to Parliamentary Committees and External Audits
- Internal Audits and Evaluations